REPORT ON GROUP OPERATIONS
FOR THE THREE MONTHS FROM JULY 1 TO SEPTEMBER 30, 2003

CONSOLIDATED QUARTERLY ACCOUNTS

CONSOLIDATED INCOME STATEMENT
for the period from July 1 to September 30, 2003

(thousands of euros)	2003 July 1-Sept. 30	2003 Jan. 1-Sept. 30	2002 July 1-Sept. 30	2002 Jan. 1-Sept. 30
Total revenues:				
- revenues from the sale of goods and services	4,747	13,470	3,785	11,994
- changes in inventories of work in progress, semi-finished and finished goods	10	299	1	3
- capitalized costs and expenses	3	3	-	-
- other revenues and income	(3)		9	234
Total	**4,757**	**13,772**	**3,795**	**12,231**
Operating costs:				
- raw and ancillary materials and consumables	148	433	123	323
- service costs	1,953	5,667	890	3,556
- lease expense	341	978	269	897
- labor costs:	1,568	5,144	1,567	4,452
wages and salaries	*1,115*	*3,882*	*1,193*	*3,386*
social security contributions	*315*	*856*	*272*	*760*
employee severance indemnities	*43*	*153*	*39*	*127*
other costs	*95*	*253*	*63*	*179*
- amortization, depreciation and write-downs:	835	2,404	713	1,979
amortization of intangible fixed assets	*563*	*1,619*	*456*	*1,293*
depreciation of tangible fixed assets	*272*	*774*	*243*	*672*
provisions for doubtful accounts	*11*	*11*	*14*	*14*
- changes in raw and ancillary materials, consumables and goods for resale		243	1	12
- other operating costs	50	872	33	85
Total	**4,895**	**15,741**	**3,596**	**11,304**
Operating income	**(138)**	**(1,969)**	**199**	**927**
Financial income and expense:				
- income	63	402	324	1,684
- expense	(20)	(255)	(175)	(924
Net financial income (expense)	**43**	**147**	**149**	**760**
Adjustments to financial assets			**(102)**	**(393**
Extraordinary income and expense:				
- income	38	188	35	139
- expense	(47)	(396)	(20)	(106
Extraordinary income (expense), net	**(9)**	**(208)**	**15**	**33**
Pre-tax income (loss) for the period	**(104)**	**(2,030)**	**1,013**	**3,272**
- income taxes	-		-	
Net income (loss) for the period	**(104)**	**(2,030)**	**261**	**1,327**
Minority interest in net income (loss) for the period		(2)	(2)	(4
Group interest in net income (loss) for the period	**(104)**	**(2,028)**	**263**	**1,331**

ANALYSIS OF NET DEBT

(thousands of euros)

	Sept. 30, 2003	June 30, 2003	Dec. 31, 2002	Sept. 30, 2002
Short-term investments	28,811	29,790	21,660	27,776
Cash and cash equivalents	4,536	4,939	15,600	16,925
Short-term bank debt and current portions of long-term bank debt	(189)	(273)	(62)	(944)
Bonds issued falling due within 12 months	-	-	(925)	(9,128)
Net cash and cash equivalents (A)	**33,158**	**34,456**	**36,273**	**34,629**
Bonds issued falling due beyond 12 months	(184)	(184)	-	-
Medium- to long-term debt	(412)	(412)	(445)	(471)
Medium- to long-term indebtedness (B)	**(596)**	**(596)**	**(445)**	**(471)**
Net liquidity / (debt) (A)+(B)	**32,562**	**33,860**	**35,828**	**34,158**

GROSS INVESTMENT IN FIXED ASSETS

(thousands of euros)

	Q3 2003	Jan. 1-Sept. 30, 2003	Q3 2002	Jan. 1-Sept. 30, 2002
Intangibles	161	243	21	200
Tangibles	56	149	339	607
Financial	(113)	454	-	-
Total	**104**	**846**	**360**	**807**

NOTES
TO THE CONSOLIDATED
QUARTERLY ACCOUNTS

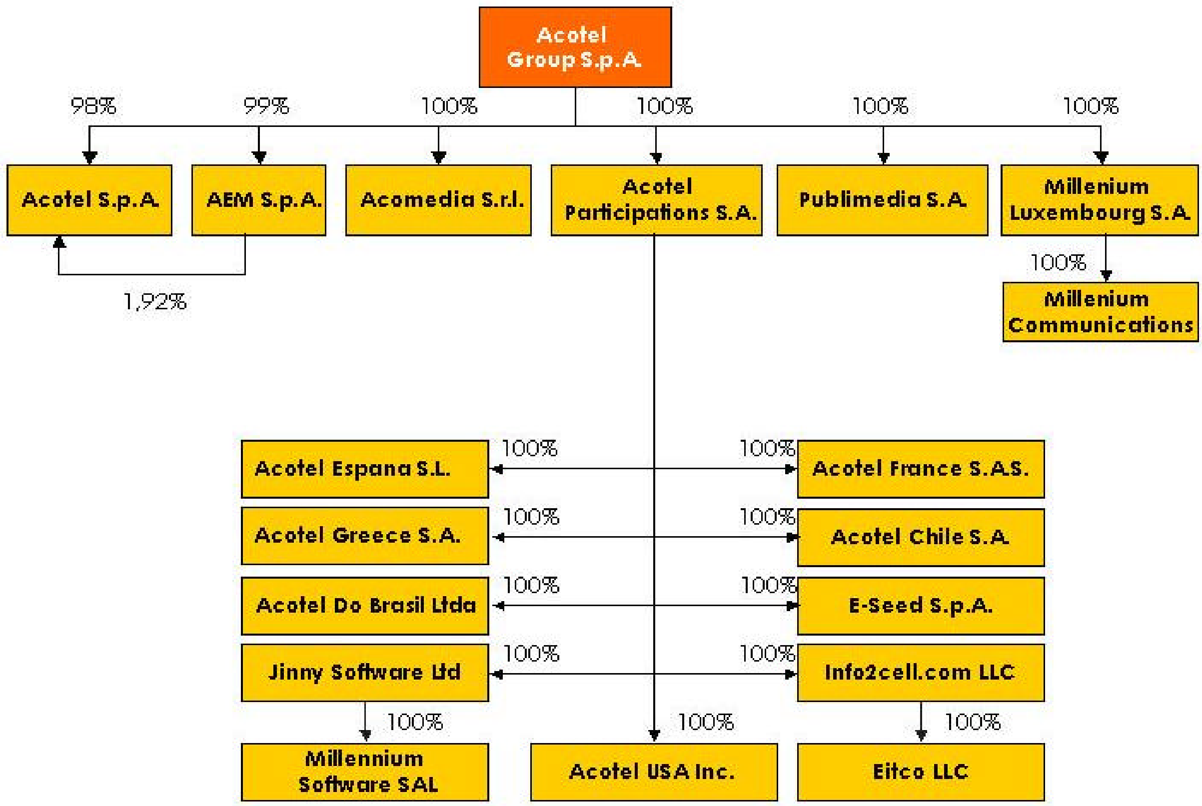
BASIS OF PRESENTATION

The consolidated accounts as of September 30, 2003 have been prepared on the basis of the accounting policies established by the Italian Regulatory Commission for Companies and the Stock Market (CONSOB) in Annex 3D of resolution no. 11971 of May 14, 1999, integrated by the regulations contained in the "Regulations for the New Market organized and managed by Borsa Italiana S.p.A.".
The accounts as of September 30, 2003 used as the basis for the consolidated accounts were prepared on the basis of the accounting records at such date, integrated by the adjustments necessary to comply with the accruals principle.

The consolidated quarterly accounts include the financial statements of *Acotel Group S.p.A.* and those of the Italian and foreign registered companies over which *Acotel Group S.p.A.* exercises direct or indirect control via control of a majority of the voting rights or of sufficient voting rights to have significant influence at ordinary general meetings.

The Company has availed itself of the right granted by the above CONSOB resolution, reporting the pre-tax result for the period.

The following chart shows the structure of the Acotel Group as of September 30, 2003. During the quarter under examination the Group incorporated *Acotel USA Inc.*, which has its registered office in Wilmington, Delaware, headquarters in Boston, Massachusetts, and a sales office in New York.



The following table provides summary information on consolidated companies held, directly or indirectly, by *Acotel Group S.p.A.*, the Parent Company.

Company	Date of acquisition	Group's ownership (%)	Registered office	Share capital
Acotel S.p.A.	April 28, 2000	99.9% (4)	Rome	EURO 13,000,000
AEM Advanced Electronic Microsystems S.p.A.	April 28, 2000	99%	Rome	EURO 858,000
Acomedia S.r.l.	April 28, 2000	100%	Rome	EURO 15,600
Acotel Participations S.A..	April 28, 2000	100%	Luxembourg	EURO 1,200,000
Acotel Chile S.A.	April 28, 2000	100% (5)	Santiago, Chile	USD 17,310
Acotel Espana S.L.	April 28, 2000	100% (5)	Madrid	EURO 3,000
Acotel Greece S.A.	April 28, 2000	100% (5)	Athens	EURO 58,600
Acotel Do Brasil LTDA	August 8, 2000 (1)	100% (5)	Rio de Janeiro	BRL 50,000
Acotel France S.A.S.	October 22, 2002 (1)	100% (5)	Paris	EURO 40,000
Jinny Software Ltd.	April 9, 2001	100% (5)	Dublin	EURO 2,972
Millennium Software SAL	April 9, 2001	99.9% (4) (7)	Beirut	LPD 30,000,000
Info2cell.com LLC-FZ	January 29, 2003 (3)	100% (5)	Dubai	AED 18,350,000
Emirates for Information Technology Co.	January 29, 2003	100% (8)	Amman	JD 710,000
E-Seed Telecommunications S.p.A.	July 10, 2002 (2)	100%	Rome	EURO 400,000
Millenium Luxembourg S.A.	April 28, 2000	100% (5)	Luxembourg	EURO 38,850
Millenium Communications S.A.	April 28, 2000	100% (6)	Luxembourg	EURO 199,800
Publimedia S.A.	April 28, 2000	100%	Luxembourg	EURO 38,850
Acotel USA Inc.	June 28, 2003 (1)	100% (5)	Wilmington	USD 100,000

(1) The date of entry into the Group coincides with the date of the company's incorporation.
(2) Prior to such date the Group already held 50% of the company's share capital, posted to equity investments in associated companies.
(3) Prior to such date the Group already held 33% of the company's share capital, posted to equity investments in associated companies.
(4) AEM owns 1.92% of the share capital.
(5) Controlled via Acotel Participations S.A.
(6) Controlled via Millenium Luxembourg S.A.
(7) Controlled via Jinny Software Ltd.
(8) Controlled via Info2cell.com LLC-FZ.

The analysis of net debt as of September 30, 2003 is compared with the corresponding data as of June 30, 2003, December 31, 2002 and September 30, 2002.

The table showing gross investments for the third quarter of 2003 and the period January 1 – September 30, 2003 is compared with the corresponding data for the same periods of 2002.

CONSOLIDATION PRINCIPLES

Minority interest in income before taxes

The minority interest in the income of companies in which the Acotel Group does not own 100% of the share capital are recorded in specific items in the accounts.

Related party transactions

Profits and losses and revenues and costs deriving from transactions between consolidated companies and not yet realized in relation to third parties are eliminated.

Foreign currency translation

The income statements of foreign registered companies are translated into euro applying average exchange rates for the period as published by the Italian Exchange Office.

OTHER INFORMATION

The accounting policies applied have not been modified with respect to the previous report.

The data shown is not based on estimates.

This quarterly report is unaudited.

NOTES TO THE INCOME STATEMENT

Revenues from sales and services

The following table shows segment information regarding revenues from sales and services:

(thousands of euros)

	2003		2002	
	July 1-Sept. 30	Jan. 1-Sept. 30	July 1-Sept. 30	Jan. 1-Sept. 30
VAS SERVICES TO NETWORK OPERATORS	3.706	9.856	2.746	7.873
CORPORATE VAS SERVICES	89	266	145	542
SOFTWARE DEVELOPMENT	134	390	258	616
DESIGN OF ICT EQUIPMENT	583	2.261	458	2.417
DESIGN OF SECURITY SYSTEMS	235	692	176	542
OTHER REVENUES	-	5	2	4
Total	**4.747**	**13.470**	**3.785**	**11.994**

Value added services (VAS) provided to network operators, amounting to 3,706 thousand euros, rose 35% compared with the same period of the previous year. This figure includes revenues earned by *Acotel S.p.A.* from the provision of services to *Telecom Italia Mobile* (approximately 3.1 million euros) and revenues earned by *Jinny Software Ltd* (around 0.3 million euros) and *Info2cell LLC-FZ* (around 0.3 million euros) on contracts primarily with European and Middle-eastern mobile operators.

Revenues from services to corporate customers amounted to 89 thousand euros.
These are information services regarding access to interactive services relating to a corporate customer's business division (e.g. mobile banking) and also m-commerce.

Revenues from ICT equipment, which stem from the activities carried out by *Jinny Software*, amounted to 583 thousand euros in the third quarter of 2003, representing an increase of 27% compared with the same period of the previous year. Such revenues mainly regard contracts entered into with mobile phone operators in Europe, the Middle East and Africa.

Revenues from software applications development, amounting to 134 thousand euros, regard work carried out on behalf of *Voinoi S.p.A.*, an *Acea Group* subsidiary, to which the Group has supplied a data transmission platform worth around 7.7 million euros.

Revenues from the design and production of electronic security equipment, amounting to 235 thousand euros, regard the design, construction and installation of peripheral security systems and the supply, installation and maintenance of remote surveillance hardware and software.

The geographical distribution of revenues from sales and services is as follows:

(thousands of euros)

	2003		2002	
	July 1-Sept. 30	Jan. 1-Sept. 30	July 1-Sept. 30	Jan. 1-Sept. 30
ITALY	3,626	9,962	3,366	11,063
EUROPE	444	1,062	8	105
MIDDLE EAST	677	1,626	411	821
LATIN AMERICA	-	-	-	5
AFRICA	-	820	-	-
Total	**4,747**	**13,470**	**3,785**	**11,994**

The proportion of revenues from overseas customers continued to grow during the third quarter, after the increase reported during the first six months of the year. The figure now stands at 24% compared with the 11% of the same period of 2002.

Operating costs

Purchases of goods and services and lease expense

This item includes the following:

(thousands of euros)

	2003		2002	
	July 1-Sept. 30	Jan. 1-Sept. 30	July 1-Sept. 30	Jan. 1-Sept. 30
Raw and ancillary materials and consumables	148	433	123	323
Service costs	1,953	5,667	890	3,556
Lease expense	341	978	269	897
Total	**2,442**	**7,078**	**1,282**	**4,776**

The *costs of raw and ancillary materials and consumables* mainly relate to the purchase of the materials used in the construction of telecommunications equipment to be sold. The increase reported in both the third quarter and the nine months to September 30, 2003 is due to the greater volume of production activity during the period.

Service costs for the third quarter of 2003, which amounted to 1,953 thousand euros, rose approximately 60% compared with the same period of 2002. The rise primarily reflects the increase in the cost of content purchased from external providers (at the end of the period totaling 1.9 million euros), which is in turn linked to the different form of contract with the content provider, *ANSA*, and the expanded basis of consolidation.

Another major cost item during the period regards advertising, which was used to promote the Group's products and services and amounted to approximately 109 thousand euros. Directors' and Statutory Auditors' fees for the quarter amounted to 140 thousand euros.

The remaining portion relates to general overhead (utilities, management and maintenance of the buildings from which Group companies operate, insurance, etc.) incurred in the course of the Group's ordinary operations.

Lease expense includes rental costs related to the buildings from which Group companies operate and leased capital assets.

Labor costs

Labor costs break down as follows:

(thousands of euros)

	2003		2002	
	July 1-Sept. 30	Jan. 1-Sept. 30	July 1-Sept. 30	Jan. 1-Sept. 30
Wages and salaries	1,115	3,882	1,193	3,386
Social security contributions	315	856	272	760
Employee severance indemnities	43	153	39	127
Other costs	95	253	63	179
Total	**1,568**	**5,144**	**1,567**	**4,452**

The following table provides a breakdown of the number of employees by category as of September 30, 2003 and a comparison of the average numbers for the years 2002 and 2003:

	Sept. 30, 2003	Average Q3 2003	Average Q3 2002	Average 9 months 2003	Average 9 months 2003
Managers	16	15	14	15	14
Supervisors	29	28	7	26	6
White-collar/Blue-collar	138	141	104	128	103
Total	**183**	**184**	**125**	**169**	**123**

The following table shows the geographical distribution of the Group's human resources.

	Sept. 30, 2003	Sept. 30, 2002
Italy	85	77
Ireland	19	21
France	2	
Lebanon	30	32
Brazil	7	3
United Arab Emirates	12	3
Jordan	23	
USA	5	
Total	**183**	**136**

Amortization, depreciation and write-downs

Details of these items are provided in the following table:

(thousands of euros)

	2003		2002	
	July 1-Sept. 30	Jan. 1-Sept. 30	July 1-Sept. 30	Jan. 1-Sept. 30
Amortization of intangible assets	563	1,619	456	1,293
Depreciation of tangible assets	272	774	243	672
Provisions for doubtful accounts	-	11	14	14
Total	**835**	**2,404**	**713**	**1,979**

The amortization of intangible assets mainly relate to amortization of goodwill arising from consolidation regarding the holdings in the subsidiaries, *Jinny Software*, *Info2cell* and *AEM*. The relevant sums for the period amount to 336 thousand euros, 97 thousand euros and 12 thousand euros, respectively.

Depreciation of tangible assets mainly relates to telecommunications equipment, as well as to capital assets. The increase in both the third quarter and the nine months to September 30, 2003 is primarily due to the expanded basis of consolidation.

Other operating costs

During the third quarter of 2003, such costs amounted to 50 thousand euros and included general overhead incurred by Group companies in carrying out their ordinary operations.

Financial income and expense

Net financial income amounted to 43 thousand euros for the third quarter.
Such a result derives from short-term investment of liquidity in bonds or repurchase agreements, or deposited in the current bank accounts of Group companies, which yielded interest income of 63 thousand euros during the quarter. In keeping with the correct application of accounting principles, further unrealized interest income, totaling 157 thousand euros, has not been posted to the Income Statement. Such interest derives from existing short-term investments in money-market and bond funds, valued at the lower of cost and market value. Such interest will be recognized only on realization.

Other financial expense during the third quarter amounted to 20 thousand euros. It includes bank interest, commissions on sureties and interest expense on medium- to long-term loans and current account overdrafts.

FINANCIAL REVIEW

Operating performance

In relation to its principal activity as a provider of services for *Telecom Italia Mobile*, the Group joined with *Ansa* during the third quarter to launch a service that enables the customers of Italy's leading mobile operator to receive a thought from Padre Pio, taken from one of his sermons or speeches, direct to their cell phone.

The Group made a concerted attack on the media segment during the period, above all targeting TV and radio stations and press publications interested in overturning the traditional one-way approach to news services.
A new software platform, dubbed the Media Platform, has been developed entirely in house for this purpose. Having been suitably integrated with the production systems used by the media customer, the new software activates return communication channels providing for the creation of new formats and/or services, based on real interaction with the audience.

One of the first results of this decision to diversify into the media segment is the agreement with RTL 102.5, which aims to develop new services by combining the Acotel Group's technological know-how with the content produced by the RTL Group. Three services are about to be launched: *song on air* (by sending an SMS while listening to a song on the radio listeners receive an SMS with the title of the track and the name of the songwriter), *dedica* (again by sending an SMS while listening to a song on the radio, a listener can request that thirty minutes before the track is rebroadcast by the same station, an SMS is sent to a certain person's cell phone with a message of dedication) and *real live* (allowing the listener to download a ringtone based on the track currently being played by the radio station).

During the period, the Group's security system design, production and maintenance business, run by the subsidiary, AEM S.p.A., completed installation of a video surveillance system for the Rome Business Association and of an access control system at the Air Force Ministry.
The company also acquired a contract to maintain security systems at 31 of the Bank of Italy's provincial offices (around a third of the total).

In the ICT equipment design sector, Jinny Software agreed to supply *Libancell* with a platform that enables different protocols to be connected. The "Application Router & Protocol Converter" will permit the Beirut-based operator to translate the different protocols (SMS and MMS) used by its customers in real time.
Jinny also agreed to supply *Cable and Wireless*, Guernsey, with an MMS-C platform, a WAP Gateway and services to be supplied on a revenue sharing basis.

Meanwhile, *Jinny* continued to expand and build on its service supply relations with mobile operators and businesses in northern Europe.
The subsidiary signed an agreement with *Meteor Mobile Communications*, Ireland's third biggest mobile company, for the supply of MMS content, whilst three new services were launched for customers of Vodafone Holland: two linked to the world of soccer (UEFA Champions League and the Dutch League) and one to news (News Summary).

The Group's French subsidiary, Acotel France, continued to develop business opportunities in the country, expanding its staff and negotiating new commercial agreements during the third quarter. The partnership recently entered into with Wanadoo, the country's leading internet provider with 8.8 million subscribers, is of particular importance. Acotel France supplies a "turnkey" service enabling French internet users to download content and games on to their mobile phones.

The Group's strategy of expanding its presence in high-growth markets also led to the incorporation of Acotel USA Incorporation during the period. The company completed its commercial launch in October via its participation at CTIA Wireless IT & Entertainment 2003 in Las Vegas.
The establishment of a US subsidiary, based in Boston and New York, enables the Acotel Group both to replicate its business model, designed around the offer of services to mobile operators, in a market with 150 million mobile users, and to gain access to a market in which the world's largest TV and radio production companies operate.
Acotel plans to partner US media companies both in the creation of programs built around their customers' real interests, attracting the attention of listeners and viewers for longer periods of time and thereby boosting advertising revenues, and in the provision of services able to generate extra revenues from alternative uses of TV content.

During the third quarter of the year, Info2cell agreed to supply Spacetel Yemen and Spacetel Syria with value added and information services, bringing the number of mobile operators served by the company to 10.
Thanks to the market launch of MMS services for Watania, Kuwait's second operator, and of Pull SMS services for Jawwal, a Palestinian operator, and the creation of a portal for the download of monophonic ringtones for Fastlink, a Jordanian operator, Info2cell also confirmed its role as a provider of cutting-edge services in the Middle East.

Results of operations

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

	2003		2002	
(thousands of euros)	**July 1-Sept. 30**	**Jan. 1-Sept. 30**	**July 1-Sept. 30**	**Jan. 1-Sept. 30**
Total revenues	4.757	13.772	3.795	12.231
Materials and service costs	2.492	8.193	1.316	4.873
Gross margin	**2.265**	**5.579**	**2.479**	**7.358**
	47,61%	*40,51%*	*65,32%*	*60,16%*
Labor costs	1.568	5.144	1.567	4.452
EBITDA	**697**	**435**	**912**	**2.906**
	14,65%	*3,16%*	*24,03%*	*23,76%*
Depreciation	272	774	243	672
Amortization	563	1.619	456	1.293
Provisions for doubtful accounts	-	11	14	14
EBIT	**(138)**	**(1.969)**	**199**	**927**
	-2,90%	*-14,30%*	*5,24%*	*7,58%*
Net financial (expense) income	43	147	149	760
Income (loss) from ordinary activities	**(95)**	**(1.822)**	**348**	**1.687**
	-2,00%	*-13,23%*	*9,17%*	*13,79%*
Adjustments to financial assets	-	-	(102)	(393)
Extraordinary income (loss), net	(9)	(208)	15	33
Pre-tax income (loss)	**(104)**	**(2.030)**	**261**	**1.327**
	-2,19%	*-14,74%*	*6,88%*	*10,85%*
Minority interest	0	(2)	(2)	(4)
Group interest in net income (loss)	**(104)**	**(2.028)**	**263**	**1.331**
	-2,19%	*-14,73%*	*6,93%*	*10,88%*

Whilst the results for the third quarter show a loss, representing a deterioration with respect to the same period of the previous year, they confirm the assertion in the six-month report regarding the temporary nature of the loss reported for the period to June 30, 2003, which was due to non-recurring events.

Revenues from sales and services for the third quarter of 2003 amounted to 4,757 thousand euros, whilst the figure for the first nine months of 2003 was 13,772 thousand euros.
The above figures represent increases of 25% and 13% with respect to the same periods of 2002.
An analysis of turnover by business segment reveals how the Group is concentrating on the supply of services to mobile operators and the design of ICT equipment and security systems, traditionally the Acotel Group's core businesses.

Revenues from sales and services by business segment

(thousands of euros)

	2003		2002	
	July 1-Sept. 30	Jan. 1-Sept. 30	July 1-Sept. 30	Jan. 1-Sept. 30
VAS SERVICES TO NETWORK OPERATORS	3.706	9.856	2.746	7.873
CORPORATE VAS SERVICES	89	266	145	542
SOFTWARE DEVELOPMENT	134	390	258	616
DESIGN OF DATA COMMUNICATIONS EQUIPME	583	2.261	458	2.417
DESIGN OF SECURITY SYSTEMS	235	692	176	542
OTHER REVENUES	-	5	2	4
Total	**4.747**	**13.470**	**3.785**	**11.994**

Revenues generated from the supply of value added services to network operators were up 35% on the same period of the previous year and 21% on the average for the first two quarters of the current year. This above table shows a 25% increase on the first nine months of 2002.

Revenues from the design of data communications equipment amounted to 583 thousand euros during the third quarter, rising 27% on the same period of the previous year.
This business, which supplies mobile operators and other service providers with plant and equipment used in the provision of W-VAS (Wireless Value Added Services), is managed by the subsidiary, Jinny Software, which serves European, Middle-eastern and African telecommunications companies.

Revenues from software development, totaling 134 thousand euros during the third quarter and 390 thousand euros from the beginning of the year, derive from the current contract with *Voinoi S.p.A.*.

Revenues from the provision of value added services to corporate customers amounted to 89 thousand euros during the third quarter, whilst the figure for the first nine months of 2003 is 266 thousand euros.

Revenues from the design of security systems, totaling 235 thousand euros during the third quarter and 692 thousand euros from the beginning of the year, primarily derive from the maintenance services and technical assistance provided by the subsidiary, *AEM S.p.A.*, for remote surveillance systems installed at police headquarters in Italy.

Operating costs witnessed a significant increase in the cost of materials and external services, which rose from 1,282 thousand euros to 2,442 thousand euros. This item reflects the increase in the cost of the services purchased from external content providers, which rose from 63 thousand euros in the third quarter of 2002 to 704 thousand euros in the third quarter of 2003. This is linked to the different form of contract with the content provider, *ANSA*, between the two periods: until August 2002 the cost of the provider was met directly by *TIM* whilst *Acotel* operated solely as service provider; *Acotel* has subsequently entered into a direct relationship with *ANSA*, thereby covering the related cost, as it does in the case of other content providers.
There were no other rises of any significance, given that the remaining increase in such costs was primarily due to growth in the Group's size between the two periods, following the consolidation of

new companies (*E-Seed, Info2cell*, *Acotel France* and *Acotel USA*) and the business development initiatives undertaken.

The increase in amortization and depreciation, which rose from 713 to 835 thousand euros, is a direct result of the higher value of the assets reported in the accounts, reflecting the expanded basis of consolidation.

Interest income was down on the same period of the previous year due to both a reduction in returns and the lower volume of liquidity invested with respect to 2002. Net cash and cash equivalents as of September 30, 2002 amounted to over 34.6 million euros compared with approximately 32.6 million euros as of September 30, 2003.

Analysis of net debt

Net cash and cash equivalents as of September 30, 2003 amount to 32,562 thousand euros. The reduction of around 1.3 million euros compared with June 30, 2003 is primarily due to the entirely normal delay in collecting certain receivables, which is reflected in the accounts via an increase in trade receivables.

The value of the bonds in issue reported in the table regards the bonds issued by *Acotel Participations* in relation to the commitments assumed on acquisition of the remaining 67% of *Info2cell* in January 2003.

Gross investment in fixed assets

Gross investment in intangible assets, totaling 161 thousand euros, was due to the 146 thousand euro increase in the cost of *Info2cell*'s holding in *EITCO* and 15 thousand euros regarding the capitalization of *Acotel France*'s start-up costs.

Investment in tangible assets, totaling 56 thousand euros, are linked to the normal process of renewing the equipment used in operations.

The decrease in long-term financial asserts, amounting to 113 thousand euros, was due to the sale of a number of investments.

SUBSEQUENT EVENTS

After the close of the period, Jinny Software agreed to supply Sabafon with an updated and improved version of the SMS-C system earlier provided: as a result of the upgrade of its network equipment, Yemen's leading mobile operator will have a higher per second throughput capability.

A preliminary agreement was also entered into with the British company, NDS Group Plc, a provider of technological solutions and encryption systems for digital pay-TV, regarding the joint supply of interactive TV and mobile content protection services. The agreement means that NDS and Acotel will shortly produce a series of practical applications allowing TV viewers to interact with both unencrypted and encrypted digital TV systems via mobile phone. The services planned include the purchase of films and pay-per-view events via mobile phone and live interactive participation in programs by sending comments and requests.
This transaction enables Acotel to proceed with its expansion into new segments of the market for value added mobile services, and to put itself forward as a partner in the creation of new business models in the TV field.

OPERATING OUTLOOK

The Group's activities over the coming quarters will focus on two main lines of action:

- the first designed to strengthen its commercial presence in the Group's traditional areas of business, represented by services to mobile operators, the design and production of network equipment, and the creation, installation and maintenance of security systems;

- the second aimed at diversification, primarily into the media segment (TV, radio and press), and at expanding the Group's presence in markets, such as the USA, where the battle between the different technological standards and for the integration of the various media is likely to take place.